



Memorandum Financial Services Department

TO: Honorable Mayor and City Councilmembers

THROUGH: Peter Weiss, City Manager 

FROM: Teri Ferro, Director of Financial Services 

DATE: October 5, 2010

SUBJECT: Financial Status Report

Attached please find a copy of the Financial Status Report for the fourth quarter ending June 30, 2010. This data is based on **unaudited** Period 13 entries and does not take into consideration auditor adjustments.

The external auditors have commenced their annual review/audit of the City's financial statements for FYE June 30, 2010, and it is anticipated that the Comprehensive Annual Financial Report (CAFR) will be available in December 2010. It will be presented to City Council at a public meeting.

The following table provides a quick snapshot of the year end standing of the General Fund based on the Amended Budget (i.e. Budget Reduction Plan approved by Council in October 2009).

General Fund as of June 30, 2010				
	Amended Budget	Actual @ 6/30/10	Variance	%
Revenues	\$120,516,884	\$117,029,339	(\$3,487,545)	97%
Expenditures	\$135,534,522	\$127,952,808	\$7,581,714	94%
Shortfall (Use of Fund Balance)		(\$10,923,469)		

General Fund revenues were anticipated to be \$120 million, but fell short by \$3.5 million primarily due to Property Taxes (\$1,000,000 shortfall) and Sales Taxes (\$1,400,000 shortfall).

General Fund expenditures were budgeted at \$135 million, but actual expenditures were \$7.6 million less as departments curtailed their expenditures based on the Budget Reduction Plan.

The "shortfall" of \$10,923,469 was funded by the General Fund Balance (i.e. reserves). This amount is comprised of:

\$6.8 million for prior year carry forwards for incomplete programs and infrastructure (i.e. financial software, police automated call project, plan check services, library remodel, Mission Vista, Oceanside Blvd. study, personnel contract obligations, various miscellaneous operating programs)

\$4.1 million per Council action on October 21, 2009 (Budget Reduction Plan)

I am available to answer any questions or concerns you may have.

cc: City Manager
City Clerk
City Treasurer
Department Directors



**CITY OF OCEANSIDE
FINANCIAL STATUS REPORT
Fiscal Year 2009-10**

Fourth Quarter Ending June 30, 2010 - Unaudited

The City has completed period 13 of the 2009-10 fiscal year. Additional revenue accruals and other year-end transactions are not reflected in this report pending auditor review.

GENERAL FUND FINANCIAL POSITION

The City Council adopted the second year of its two year budget on June 10, 2009 with approved General Fund operating revenues of \$122,837,261 and operating expenditures of \$124,042,267. On July 1st, the City implemented a new Chart of Accounts, which consolidated Funds 108 and 287 into the General Fund, and also reclassified "transfers in" as a revenue funding source. Consequently, the budget amounts appear to differ from the adopted Council Resolution. A full reconciliation was conducted the second quarter.

**Table 1
Changes to Operating Budget**

Expenditures	Adopted Budget	Amended Budget	Increase (Decrease)
	124,042,267		
First Quarter		132,884,729	8,842,462
Second Quarter		133,933,206	1,048,477
Third Quarter		134,175,842	242,636
Fourth Quarter		135,534,522	1,358,680

Table 1 delineates the year-to-date changes to the operating budget as of June 30, 2010.

The first quarter increase of approximately \$8.8 million represents \$6.8 million of prior year carry forwards for both operating and infrastructure in compliance with Administrative Directive 20;

appropriation of \$1.5 million for Fire Station 8; and appropriation of \$0.5 million for a special election.

The second quarter increase of \$1 million represents \$1.2 million increase due to the consolidation of harbor police in the General Fund; appropriation of \$0.3 million for the Humane Society; offset by a \$0.5 million reduction per the Budget Reduction Plan adopted by Council in October 2009.

The third quarter increase of \$242,000 is attributable to the \$193K appropriation for repairs of Harbor Police rescue boats; and \$49K of carry forwards.

The fourth quarter increase of \$1.4 million is a result of Harbor Administration and Harbor Maintenance being absorbed by Public Works and other department increases that are discussed on pages 3 and 4.

GENERAL FUND REVENUES

Oceanside's top ten revenues account for approximately 87% of total General Fund revenues earned. Table 2 delineates the top ten revenues.

Property Tax Revenues recognized at the end of the fourth quarter are 97.85% or \$46 million. Total property tax revenues are comprised of the following:

Current Taxes – The County distributes 98% of current taxes to the City by June 15th. We are slightly under projections with this portion of the property taxes collected.

Supplemental Taxes – these taxes are assessed when there is new construction to property or change of ownership. They are distributed monthly based on a county-wide "pooled" formula. Due to the county-wide decline in home sales and values, for the



fourth quarter the City has received \$359,735 or 67% of projections.

In-Lieu of VLF – approximately 29% of the total property tax revenue comes from in-lieu of VLF which is distributed in January and June. The City received another \$6,774,286 on May 27th which brings us on target with projections.

**Table 2
Oceanside's Top 10 General Fund Revenues**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Property Tax	51,611,000	46,963,500	45,952,554	97.85%
Sales & Use Tax	18,936,600	18,436,600	17,045,656	92.46%
General Admin	14,914,400	14,914,400	14,128,858	94.73%
Fine/Forefeiture	4,217,000	4,217,000	3,812,314	90.40%
Franchise Fees	4,009,500	4,009,500	3,912,710	97.59%
TOT	3,503,500	3,503,500	3,184,613	90.90%
Safety Services	3,075,000	3,075,000	5,399,523	175.59%
Reimb for Services	2,847,400	2,847,400	3,213,976	112.87%
Business License	2,813,700	2,813,700	2,590,262	92.06%
Rents/Leases	2,804,600	2,804,600	2,927,175	104.37%
Subtotal	108,732,700	103,585,200	102,167,640	98.63%
All Other	8,986,600	8,933,606	9,349,209	104.65%
Transfers In	5,117,961	7,998,078	5,512,489	68.92%
TOTAL	122,837,261	120,516,884	117,029,339	97.11%

Prior Year Property Taxes – the City budgeted \$943,000 for collection of prior year taxes (which includes penalties and interest). 101% has been received as of the fourth quarter.

Prop 1A Securitization - this provision was created to relieve California local public agencies the burden of loaning the state property tax revenues. The City received a total of \$4.2 million for FY09/10.

Sales Taxes earned \$17,045,656 or 92.46% of total projected revenues. There are three components of these revenues: true

sales taxes known as the Bradley-Burns Sales Taxes which come from the State Board of Equalization each month; safety sales taxes known as Prop 172 Safety Funds which come from the County each month; and the sales tax compensation funds which come from the County twice a year. Fourth quarter Bradley-Burns sales taxes received total 94% of projections; Prop 172 sales taxes received total 87% of projections; and sales tax compensation fund received total 89% of projections.

Part of this shortage is due to a delay by SBOE in remitting payments, coupled with their reduction of "advanced payments". These are merely cash flow issues, since the City will ultimately receive the funds from the State, albeit at a future time. However, updated revenue estimates indicate additional erosion in the fuel, building and general consumer categories. While a reduction to sales tax revenues was made in October, actual revenues for the remainder of FY09/10 fell short an additional \$0.7 million.

General Admin/In Lieu represents roughly 12% of the overall General Fund revenues. The City budgets this as a percentage of salaries which is charged to all departments to cover administrative costs. Fourth quarter actual is 94.73%.

Fines & Forfeitures earned 90.40% of projected revenues. The revenues earned on parking citations are at 93% of projections. The remaining fees represent false alarm fees, impound fees, red light photo fees, and miscellaneous fines and fees. Red Light Photo Fines only returned 76% of projections at the end of the quarter.

Franchise Fees as of the fourth quarter came in at 97.59%. Revenues from Cox Communications are collected on a quarterly basis with a one-month delay in receipt. Payment from SDG&E is received on an annual basis in April.

Transient Occupancy Taxes (TOT) earned \$3.2 million or 90.90% through the fourth quarter. Oceanside's Municipal Code Section 34.15 authorizes the City to collect 10% of the room rent



charged by a hotel operator to tourists occupying a hotel room within the City for a period of less than 30 days. TOT receipts are down significantly which is indicative of the decline in leisure and business travel.

Public Safety Services consist primarily of ambulance billings. Total billings submitted for FY09/10 was \$5.2 million which shows up in this account as approximately 176% of budgeted revenues. What is not reflected here is the 40% bad debt write off expense (approximately \$2.5 million). True revenue received by the City for ambulance billings is approximately \$2.7 million.

Rents and Leases are comprised of general rents and leases, cell towers in right-of way and City property, Municipal Golf Course and Harbor Tidelands. A total of \$252,860 rentals were received from Tideland's Ruby's Diner, McDonalds, Pier Bait, and Optical, as well as \$53,421 from Resource Center Rents. These accounts were not budgeted and help offset the \$292,915 shortfall from the Municipal Golf Course, which only returned 59% of projections.

Reimbursement for Services for the fourth quarter exceeded expectations at 112.87%. The additional revenues earned are primarily earned from billing for Fire mutual aid.

Business License revenue earned is below projections at 92.06% this fiscal year. The City continues to be proactive in ensuring that vendors who do business in Oceanside have a valid business license.

Other Revenues consists of miscellaneous revenues such as card room taxes and fees, plan check and inspection fees, parking meters, etc. Fourth quarter revenues in this category are received at 104.65%.

GENERAL FUND EXPENDITURES

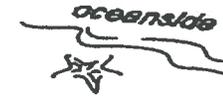
General Fund expenditures for fiscal year 2009-2010 were budgeted at \$135.5 million. Year-to-date actual expenditures are at \$128 million or 94.41%. Approximately \$725,000 has been "carried forward" to FY10/11 to complete outstanding projects.

**Table 3
General Fund Expenditures**

Department	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
City Council	963,231	951,466	821,130	86.30%
City Clerk	1,118,760	1,738,468	1,532,708	88.16%
City Treasurer	318,639	318,639	321,649	100.94%
City Manager	945,928	987,580	778,642	78.84%
City Attorney	1,720,962	1,720,962	1,631,996	94.83%
Financial Services	4,920,416	5,840,228	4,928,487	84.39%
Human Resources	1,008,071	1,006,071	886,648	88.13%
Econ and Comm Devt	1,612,051	1,747,934	1,462,739	83.68%
Library	5,467,260	5,499,063	5,528,965	100.54%
Development Services	8,641,594	9,166,636	7,580,143	82.69%
Police	49,820,481	52,675,566	51,945,521	98.61%
Fire	26,804,327	27,090,770	26,949,364	99.48%
Public Works	8,487,439	9,879,972	8,559,445	86.63%
Neighborhood Services	6,167,743	6,410,552	5,753,315	89.75%
Subtotal	117,996,902	125,033,907	118,680,752	94.92%
Non Departmental	6,045,365	10,500,615	9,272,056	88.30%
TOTAL	124,042,267	135,534,522	127,952,808	94.41%

The approved expenditure budget increased by \$1.4 million in the fourth quarter. These increases are attributable to the following departments: City Clerk, City Manager, Financial Services, Fire and Public Works.

City Clerk budget increased by \$100,000; \$40,000 for the council vacancy special election, and \$60,000 for the special charter election. These funds were either expended in June 2010 or carried forward to July 2010 for final payment.



City Manager budget increased by \$45,000 also due to the special election held in June 2010. These funds were not used and reverted back to Fund Balance @ 6/30/10.

Financial Services budget increased by \$295,620 for financial software enhancements and the purchase of a new cashiering system. These funds were carried forward to July 2010 for project implementation.

Fire and Public Works increased by \$2,007,396 and \$2,363,885 respectively as a result of the consolidation with Harbor and Beaches. Harbor and Beaches budget of \$3,076,544 is no longer in Table 3. These funds were expended by June 30, 2010.

Library GF budget decreased by \$359,622. These funds were transferred to the Library Remodel CIP account and carried forward to July 2010 for project implementation.

ENTERPRISE FUNDS

The following tables summarize the operating revenues and expenditures for the major enterprise funds. These include Water, Sewer, Solid Waste, Airport and Harbor. Any surplus/shortfall between revenues and expenditures will be applied towards the appropriate Fund Balance. Deviations or concerns are summarized in the narrative after each table.

**Table 4
Water Fund 711**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	45,656,021	45,656,021	43,087,785	94.37%
Expenditures	40,920,955	42,346,682	40,593,329	95.86%
Surplus/Shortfall	4,735,066	3,309,339	2,494,456	

The Water Division of the Utilities Department operates two water treatment plants and maintains 450 miles of waterline and 12 reservoirs to provide potable water to all Oceanside residents.

FY 09-10 water operating revenues exceeded expenditures approximately \$2.5 million. Those funds will be set aside in the Fund Balance for future capital projects including asset replacements/upgrades.

**Table 5
Sewer Fund 721**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	26,936,001	26,936,001	30,817,006	114.41%
Expenditures	25,118,485	25,374,170	30,900,925	121.78%
Surplus/Shortfall	1,817,516	1,561,831	(83,919)	

The Sewer Division of the Utilities Department collects, treats and disposes of wastewater. FY 09/10 sewer operating revenues and expenditures do not include final audit adjustments. It is anticipated that final revenues will exceed expenditures, with a positive balance available for future capital projects including asset replacements/upgrades.

**Table 6
Solid Waste Fund 731**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	22,534,339	22,534,339	22,178,671	98.42%
Expenditures	22,769,664	22,888,920	19,895,833	86.92%
Surplus/Shortfall	(235,325)	(354,581)	2,282,838	

The Solid Waste Fund includes the contract with Waste Management. FY 09-10 revenues exceed expenditures approximately \$2.3 million due to a revised benchmark approved by Council in January 2010. The surplus funds will be set aside in



the Fund Balance for rate stabilization to offset future rate increases, which could be sufficient for approximately 4-5 years.

**Table 7
Airport Fund 741**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	574,515	574,515	144,269	25.11%
Expenditures	606,645	606,645	211,215	34.82%
Surplus/Shortfall	(32,130)	(32,130)	(66,946)	

This fund accounts for the operation of the Oceanside General Aviation Airport. A new contract with the management company was approved by Council in August 2009, but subsequent budget adjustments were not made. Revenues consist of rents/leases, fuel sales and miscellaneous income. Year-to-date revenues received amount to 25%, while expenses are at 35% primarily due to depreciation expenses.

**Table 8
Harbor Fund 751**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	6,175,300	6,175,300	5,607,768	90.81%
Expenditures	6,145,493	9,558,386	4,898,975	51.25%
Surplus/Shortfall	29,807	(3,383,086)	708,793	

This fund accounts for the operation and maintenance of the Oceanside Small Craft Harbor. Funding for operations is provided by user charges. The increases to the budget is for various capital projects including restroom renovations, lift station, Marina Inn renovation, and the Harbor & Aquatics Center, and are funded by Fund Balances. CIP projects not completed by June 30, 2010 were re-appropriated in the FY 10/11 CIP budget.

Revenues received are below projections at 90.81%, while expenditures are recorded at 51.25%. Approximately \$2.7 million was a CIP carry forward for the Harbor & Aquatics Center.

INTERNAL SERVICE FUNDS

The following tables summarize operating revenues and expenditures for the Internal Service Funds which includes Risk Management, Employee Benefits, Workers Compensation, Fleet Management, Information Services and City Building Services. Any surplus/shortfall between revenues and expenditures will be applied towards the appropriate Fund Balance. Deviations or concerns are summarized in the narrative below each table.

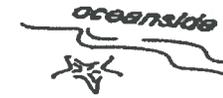
**Table 9
Risk Management Fund 814**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	2,938,692	4,188,692	6,283,793	150.02%
Expenditures	3,000,695	4,311,251	6,573,225	152.47%
Surplus/Shortfall	(62,003)	(122,559)	(289,432)	

This fund accounts for all claim management, settlements, liability and property insurance for the entire City. Revenues are made up of service charges to all City departments at the fund level per Administrative Directive 18. \$2.5 million in expenditures was for the Arroyo settlement which was funded by a transfer in from the Water Fund.

**Table 10
Employee Benefits Fund 817**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	30,967,160	30,967,160	30,461,975	98.37%
Expenditures	27,605,992	27,610,754	30,494,879	110.45%
Surplus/Shortfall	3,361,168	3,356,406	(32,904)	



This fund is designed to function on a cost reimbursement basis, and is used to recover the full cost of providing all employee benefits. Costs are distributed at a business level. Expenses are higher than projections by \$2.9 million due to increased PERS payments at the end of fourth quarter.

**Table 11
Workers Compensation Fund 818**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	3,319,962	3,319,962	3,243,794	97.71%
Expenditures	3,118,067	3,143,312	3,111,865	99.00%
Surplus/Shortfall	201,895	176,650	131,929	

This fund accounts for all claims management and settlements for workers compensation and safety services for the entire City. Revenues are made up of service charges to all City departments. Revenues and expenditures are within budget at the end of fourth quarter.

**Table 12
Fleet Management Fund 831**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	7,825,894	7,825,894	7,883,811	100.74%
Expenditures	7,705,233	7,870,662	4,662,451	59.24%
Surplus/Shortfall	120,661	(44,768)	3,221,360	

This fund accounts for all fleet management and replacement for the entire City. Revenues are made up of service charges to affected City departments. Revenues projections are met at the end of the quarter while expenses are at 59.24%. Only 14.65% of fleet replacement budget was expended. These funds remain in the fleet replacement Fund Balance until required.

**Table 13
Information Services Fund 841**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	5,822,554	5,822,554	5,858,400	100.62%
Expenditures	5,803,601	5,730,858	5,385,844	93.98%
Surplus/Shortfall	18,953	91,696	472,556	

This fund is designed to function on a cost reimbursement basis, and is used to recover the cost of providing information services to all departments. Revenues and expenditures are within projections year to date.

**Table 14
City Building Services Fund 851**

Description	Adopted Budget	Amended Budget	YTD as of 4th Qtr	% of Amended Budget
Revenues	6,460,121	6,460,121	6,464,823	100.07%
Expenditures	6,554,736	6,875,721	5,790,368	84.21%
Surplus/Shortfall	(94,615)	(415,600)	674,455	

This fund is designed to function on a cost reimbursement basis, and is used to recover the cost of providing city building services to all departments. Revenues and expenditures are within projections year to date.